

**REPORT OF THE AUDIT OF THE
TRIMBLE COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2010**



**CRIT LUALLEN
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE TRIMBLE COUNTY FISCAL COURT

June 30, 2010

The Auditor of Public Accounts has completed the audit of the Trimble County Fiscal Court for fiscal year ended June 30, 2010. We have issued unqualified opinions, based on our audit, of the governmental activities, each major fund, and aggregate remaining fund information financial statements of Trimble County, Kentucky. In accordance with OMB Circular A-133, we have issued an unqualified opinion on the compliance requirements that are applicable to Trimble County's major federal program: Watershed Protection and Flood Prevention Emergency Watershed Protection Program (CFDA #10.904).

Financial Condition:

The fiscal court had net assets of \$6,857,370 as of June 30, 2010. The fiscal court had unrestricted net assets of \$2,267,504 in its governmental funds as of June 30, 2010, with total net assets of \$6,857,370. The fiscal court had total debt principal as of June 30, 2010 of \$503,621 with \$109,460 due within the next year.

Deposits:

The fiscal court and component units' deposits were insured and collateralized by bank securities.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Steven L. Beshear, Governor
Jonathan Miller, Secretary
Finance and Administration Cabinet
Honorable Randy K. Stevens, Trimble County Judge/Executive
Members of the Trimble County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Trimble County, Kentucky, as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Trimble County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Trimble County, Kentucky, prepares its financial statements in accordance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Trimble County, Kentucky, as of June 30, 2010, and the respective changes in financial position thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The county has not presented the management's discussion and analysis that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be part of, the basic financial statements. The budgetary comparison information is not a required part of the basic financial statements but is supplementary information required by GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the budgetary comparison information. However, we did not audit it and express no opinion on it.



To the People of Kentucky
Honorable Steven L. Beshear, Governor
Jonathan Miller, Secretary
Finance and Administration Cabinet
Honorable Randy K. Stevens, Trimble County Judge/Executive
Members of the Trimble County Fiscal Court

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Trimble County, Kentucky's basic financial statements. The accompanying supplementary information, combining fund financial statements, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is not a required part of the basic financial statements. The combining fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated January 19, 2011, on our consideration of Trimble County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a stylized, flowing script.

Crit Luallen
Auditor of Public Accounts

January 19, 2011

TRIMBLE COUNTY OFFICIALS

For The Year Ended June 30, 2010

Fiscal Court Members:

Randy K. Stevens	County Judge/Executive
Kirby Melvin	Magistrate
Stephen L. Stark	Magistrate
Nolan Hamilton, Jr.	Magistrate
David Scott	Magistrate

Other Elected Officials:

Perry Arnold	County Attorney
Bobby Temple	Jailer
Jerry L. Powell	County Clerk
Theresa Edwards	Circuit Court Clerk
Tim Coons	Sheriff
Jill Mahoney	Property Valuation Administrator
Frederica Congleton	Coroner

Appointed Personnel:

Regina Rand	County Treasurer
Ashley Thornsberry	Finance Officer
Kathi McGuire	Payroll Officer
Tony Rowlett	Road Supervisor
Susan Barnes	Fiscal Court Clerk

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TRIMBLE COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2010

TRIMBLE COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2010

	<u>Governmental Activities</u>
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 2,267,504
Total Current Assets	<u>2,267,504</u>
Noncurrent Assets:	
Capital Assets - Net of Accumulated Depreciation	
Land	423,900
Buildings	1,063,148
Building Improvements	671,122
Land Improvements	470,111
Vehicles and Equipment	503,831
Infrastructure	<u>1,961,375</u>
Total Noncurrent Assets	<u>5,093,487</u>
Total Assets	<u>7,360,991</u>
LIABILITIES	
Current Liabilities:	
Financing Obligations	<u>109,460</u>
Total Current Liabilities	<u>109,460</u>
Noncurrent Liabilities:	
Financing Obligations	<u>394,161</u>
Total Noncurrent Liabilities	<u>394,161</u>
Total Liabilities	<u>503,621</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	4,589,866
Unrestricted	<u>2,267,504</u>
Total Net Assets	<u><u>\$ 6,857,370</u></u>

The accompanying notes are an integral part of the financial statements.

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TRIMBLE COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2010

TRIMBLE COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2010

Functions/Programs Reporting Entity	Expenses	Program Revenues Received		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	\$ 1,331,106	\$ 642,123	\$ 214,393	\$
Protection to Persons and Property	713,880	236,169	155,834	
General Health and Sanitation	131,747		9,733	
Social Services	24,862			
Recreation and Culture	97,459		3,233	
Roads	1,860,026		1,316,465	607,629
Interest on Long-term Debt	21,889			
Total Governmental Activities	<u>\$ 4,180,969</u>	<u>\$ 878,292</u>	<u>\$ 1,699,658</u>	<u>\$ 607,629</u>

General Revenues:

Taxes:

 Real Property Taxes

 Personal Property Taxes

 Motor Vehicle Taxes

 Franchise Taxes

 911 Taxes

 Other Taxes

Excess Fees

Miscellaneous Revenues

Unrestricted Investment Earnings

Total General Revenues

Change in Net Assets

Net Assets - Beginning

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

TRIMBLE COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2010
(Continued)

Net (Expenses) Revenue
and Changes in Net Assets

Governmental
Activities

\$	(474,590)
	(321,877)
	(122,014)
	(24,862)
	(94,226)
	64,068
	<u>(21,889)</u>
	<u>(995,390)</u>

	201,573
	26,588
	40,257
	109,447
	49,618
	13,470
	8,201
	200,433
	<u>44,481</u>
	<u>694,068</u>
	<u>(301,322)</u>
	<u>7,158,692</u>
\$	<u><u>6,857,370</u></u>

The accompanying notes are an integral part of the financial statements.

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TRIMBLE COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2010

TRIMBLE COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2010

	<u>General Fund</u>	<u>Road Fund</u>	<u>License Fee Fund</u>	<u>Non- Major Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and Cash Equivalents	\$ 355,195	\$ 289,370	\$ 1,602,296	\$ 20,643	\$ 2,267,504
Total Assets	<u>355,195</u>	<u>289,370</u>	<u>1,602,296</u>	<u>20,643</u>	<u>2,267,504</u>
FUND BALANCES					
Unreserved:					
General Fund	355,195				355,195
Special Revenue Funds		289,370	1,602,296	20,643	1,912,309
Total Fund Balances	<u>\$ 355,195</u>	<u>\$ 289,370</u>	<u>\$ 1,602,296</u>	<u>\$ 20,643</u>	<u>\$ 2,267,504</u>

Reconciliation of the Balance Sheet-Governmental Funds to the Statement of Changes In Net Assets:

Total Fund Balances	\$ 2,267,504
Amounts Reported For Governmental Activities In The Statement	
Of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources	
And Therefore Are Not Reported in the Funds.	7,715,080
Depreciation	(2,621,593)
Long-term debt is not due and payable in the current period and, therefore, is not reported in the funds.	
Financing Obligations	<u>(503,621)</u>
Net Assets Of Governmental Activities	<u>\$ 6,857,370</u>

The accompanying notes are an integral part of the financial statements.

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TRIMBLE COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2010

TRIMBLE COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2010

	<u>General Fund</u>	<u>Road Fund</u>	<u>License Fee Fund</u>
REVENUES			
Taxes	\$ 440,953	\$	\$
Excess Fees	8,201		
Licenses and Permits	611,672		
Intergovernmental	325,079	1,924,094	25,451
Charges for Services	201,393		
Miscellaneous	183,149	22,127	
Interest	2,178	3,912	38,374
Total Revenues	<u>1,772,625</u>	<u>1,950,133</u>	<u>63,825</u>
EXPENDITURES			
General Government	447,288		
Protection to Persons and Property	533,387		
General Health and Sanitation	121,163		
Social Services			
Recreation and Culture	36,594		
Roads		2,023,684	
Debt Service	127,143		
Administration	778,765	36,137	
Total Expenditures	<u>2,044,340</u>	<u>2,059,821</u>	
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(271,715)</u>	<u>(109,688)</u>	<u>63,825</u>
Other Financing Sources (Uses)			
Transfers From Other Funds	261,963		
Transfers To Other Funds	(241,800)		(261,963)
Total Other Financing Sources (Uses)	<u>20,163</u>		<u>(261,963)</u>
Net Change in Fund Balances	(251,552)	(109,688)	(198,138)
Fund Balances - Beginning	606,747	399,058	1,800,434
Fund Balances - Ending	<u>\$ 355,195</u>	<u>\$ 289,370</u>	<u>\$ 1,602,296</u>

The accompanying notes are an integral part of the financial statements.

TRIMBLE COUNTY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
For The Year Ended June 30, 2010
(Continued)

Non- Major Funds	Total Governmental Funds
\$	\$ 440,953
	8,201
	611,672
92,890	2,367,514
	201,393
156	205,432
17	44,481
<u>93,063</u>	<u>3,879,646</u>
1,025	448,313
215,925	749,312
8,500	129,663
19,689	19,689
84,836	121,430
	2,023,684
	127,143
11,314	826,216
<u>341,289</u>	<u>4,445,450</u>
<u>(248,226)</u>	<u>(565,804)</u>
251,800	513,763
<u>(10,000)</u>	<u>(513,763)</u>
<u>241,800</u>	
(6,426)	(565,804)
27,069	2,833,308
<u>\$ 20,643</u>	<u>\$ 2,267,504</u>

The accompanying notes are an integral part of the financial statements.

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TRIMBLE COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2010

TRIMBLE COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2010

Net Change in Fund Balances - Total Governmental Funds	\$ (565,804)
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Amounts reported for governmental activities in the Statement of Activities are different because Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlay	555,110
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Depreciation Expense	(392,663)
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Assets Disposed of, Net Book Value	(3,219)
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The issuance of long-term debt (e.g. bonds, financing obligations) provides current financial resources to governmental funds, while repayment of principal on long-term debt consumes the current financial resources of Governmental Funds. These transactions, however, have no effect on net assets.

Financing and bond principal payments are expensed in the Governmental Funds as a use of current financial resources.

Financing Obligations Principal Payments	105,254
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Change in Net Assets of Governmental Activities	\$ (301,322)
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**INDEX FOR NOTES
TO THE FINANCIAL STATEMENTS**

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TRIMBLE COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Notes receivable are recognized on the Statement of Net Assets, but notes receivable are not included and recognized on Balance Sheet - Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

B. Reporting Entity

The financial statements of Trimble County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. Trimble County has no discretely presented component units

Blended Component Units

The following legally separate organizations provide their services exclusively to the primary government, and the fiscal court is able to impose its will on this organization. This organizations' balances and transactions are reported as though they are part of the county's primary government using the blending method.

Trimble County Parks Board

The Parks Board was created for managing and maintaining the park. Fiscal Court has the authority to appoint a voting majority of the Parks Board's board of directors. Financial information for the Parks Board is blended within Trimble County's financial statements and is presented as the Trimble County Parks Board Fund.

TRIMBLE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Trimble County Elected Officials

Kentucky law provides for election of the officials below from the geographic area constituting Trimble County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Trimble County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

D. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs. The County has no business or fiduciary type funds.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to sale ninety days following April 15.

TRIMBLE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Major individual governmental funds are reported as separate columns in the financial statements.

Governmental Funds

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

License Fee Fund - The purpose of this fund is to account for funds received from waste hauling permits and license fees. The funds may be used for any purpose.

The primary government also has the following non-major funds: Jail Fund, Local Government Economic Assistance Fund, and Trimble County Parks Board Fund.

Special Revenue Funds:

The Road Fund, Jail Fund, Local Government Economic Assistance Fund, License Fee Fund, and Trimble County Parks Board Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

E. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

TRIMBLE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

F. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 12,500	10-60
Buildings and Building Improvements	\$ 25,000	10-75
Machinery and Equipment	\$ 2,500	3-25
Vehicles	\$ 2,500	3-25
Infrastructure	\$ 20,000	10-50

G. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

H. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

TRIMBLE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

H. Fund Equity (Continued)

“Reserved for Encumbrances” are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

I. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

The State Local Finance Officer does not require the Trimble County Parks Board Fund to be budgeted because the fiscal court does not approve the expenditures from these funds.

Note 2. Deposits

The primary government maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government’s deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 41.240 (4). As of June 30, 2010, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

TRIMBLE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 3. Capital Assets

Capital asset activity for the year ended June 30, 2010 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 423,900	\$	\$	\$ 423,900
Total Capital Assets Not Being Depreciated	423,900			423,900
Capital Assets, Being Depreciated:				
Buildings	1,277,687			1,277,687
Building Improvements	966,162			966,162
Land Improvements	519,843	47,537		567,380
Vehicles and Equipment	1,469,861	95,330	(5,150)	1,560,041
Infrastructure	2,507,667	412,243		2,919,910
Total Capital Assets Being Depreciated	6,741,220	555,110	(5,150)	7,291,180
Less Accumulated Depreciation For:				
Buildings	(191,024)	(23,515)		(214,539)
Building Improvements	(256,878)	(38,162)		(295,040)
Land Improvements	(80,297)	(16,972)		(97,269)
Vehicles and Equipment	(966,843)	(91,298)	1,931	(1,056,210)
Infrastructure	(735,819)	(222,716)		(958,535)
Total Accumulated Depreciation	(2,230,861)	(392,663)	1,931	(2,621,593)
Total Capital Assets, Being Depreciated, Net	4,510,359	162,447	(3,219)	4,669,587
Governmental Activities Capital Assets, Net	\$ 4,934,259	\$ 162,447	\$ (3,219)	\$ 5,093,487

Depreciation expense was charged to functions of the primary government as follows:

<u>Governmental Activities:</u>	
General Government	\$ 56,576
Protection to Persons and Property	59,898
General Health and Sanitation	2,084
Social Services	5,173
Recreation and Culture	23,566
Roads, Including Depreciation of General Infrastructure Assets	<u>245,366</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 392,663</u>

TRIMBLE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 4. Long-term Debt

A. Courthouse Renovation

On May 22, 2002, the fiscal court entered into a financing agreement with the Kentucky Association of Counties Leasing Trust to borrow \$650,000 at a variable interest rate for the renovation of the Trimble County Courthouse. The county will make monthly payments of varying amounts for 10 years in accordance with the contract. Principal payment requirements and scheduled interest for the remaining term of the contract are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Scheduled Principal	Scheduled Interest
2011	\$ 74,460	\$ 5,225
2012	79,161	2,117
Totals	<u>\$ 153,621</u>	<u>\$ 7,342</u>

B. Courthouse Expansion

On May 31, 2007, the fiscal court entered into a financing agreement with the Kentucky Association of Counties Leasing Trust to borrow \$450,000 at a variable interest rate for the expansion of the Trimble County Courthouse. The county will make monthly payments of varying amounts for 11 years in accordance with the contract. Principal payment requirements and scheduled interest for the remaining term of the contract are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Scheduled Principal	Scheduled Interest
2011	\$ 35,000	\$ 16,419
2012	40,000	14,449
2013	40,000	12,390
2014	40,000	10,365
2015	45,000	8,107
2016-2018	<u>150,000</u>	<u>9,423</u>
Totals	<u>\$ 350,000</u>	<u>\$ 71,153</u>

TRIMBLE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 4. Long-term Debt (Continued)

C. Changes In Long-term Liabilities

Long-term liability activity for the year ended June 30, 2010, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental Activities:</u>					
Financing Obligations	\$ 608,875	\$	\$ 105,254	\$ 503,621	\$ 109,460
Governmental Activities					
Long-term Liabilities	<u>\$ 608,875</u>	<u>\$ 0</u>	<u>\$ 105,254</u>	<u>\$ 503,621</u>	<u>\$ 109,460</u>

Note 5. Employee Retirement System

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 16.16 percent.

Hazardous covered employees are required to contribute 8 percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 9 percent of their salary to be allocated as follows: 8% will go to the member's account and 1% will go to the KRS insurance fund. The county's contribution rate for hazardous employees was 32.97 percent.

The county's contribution for FY 2008 was \$191,445, FY 2009 was \$162,576, and FY 2010 was \$194,116.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55. For hazardous employees who begin participation on or after September 1, 2008 aspects of benefits include retirement after 25 years of service or the member is age 60, with a minimum of 60 months of service credit.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

TRIMBLE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 6. Deferred Compensation

On February 24, 2000, the Trimble County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by The Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate.

These deferred compensation plans permits all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing The Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in The Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing Kentucky Public Employees' Deferred Compensation Authority at 101 Sea Hero Road, Suite 110, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

Note 7. Insurance

For the fiscal year ended June 30, 2010, Trimble County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

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TRIMBLE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2010

TRIMBLE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2010

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 393,800	\$ 393,800	\$ 440,953	\$ 47,153
Excess Fees	60,000	60,000	8,201	(51,799)
Licenses and Permits	800,600	800,600	611,672	(188,928)
Intergovernmental Revenue	137,200	248,197	288,379	40,182
Charges for Services	200,000	200,000	201,393	1,393
Miscellaneous	190,100	190,100	183,149	(6,951)
Interest	3,500	3,500	2,178	(1,322)
Total Revenues	<u>1,785,200</u>	<u>1,896,197</u>	<u>1,735,925</u>	<u>(160,272)</u>
EXPENDITURES				
General Government	422,200	443,998	447,288	(3,290)
Protection to Persons and Property	380,815	522,353	533,387	(11,034)
General Health and Sanitation	127,350	128,682	121,163	7,519
Recreation and Culture	35,000	35,000	36,594	(1,594)
Debt Service	94,000	83,260	90,443	(7,183)
Capital Projects				
Administration	837,850	749,919	778,765	(28,846)
Total Expenditures	<u>1,897,215</u>	<u>1,963,212</u>	<u>2,007,640</u>	<u>(44,428)</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(112,015)</u>	<u>(67,015)</u>	<u>(271,715)</u>	<u>(204,700)</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	135,000	135,000	261,963	126,963
Transfers To Other Funds	<u>(179,620)</u>	<u>(179,620)</u>	<u>(241,800)</u>	<u>(62,180)</u>
Total Other Financing Sources (Uses)	<u>(44,620)</u>	<u>(44,620)</u>	<u>20,163</u>	<u>64,783</u>
Net Changes in Fund Balance	(156,635)	(111,635)	(251,552)	(139,917)
Fund Balance - Beginning	<u>156,635</u>	<u>156,635</u>	<u>606,747</u>	<u>450,112</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 45,000</u>	<u>\$ 355,195</u>	<u>\$ 310,195</u>

TRIMBLE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2010
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts,	Final Budget
			(Budgetary	Positive
			Basis)	(Negative)
REVENUES				
Intergovernmental Revenue	\$ 674,000	\$ 1,885,706	\$ 1,924,094	\$ 38,388
Miscellaneous Revenue			22,127	22,127
Interest	6,500	6,500	3,912	(2,588)
Total Revenues	680,500	1,892,206	1,950,133	57,927
EXPENDITURES				
Roads	729,650	1,946,856	2,023,684	(76,828)
Administration	54,050	42,950	36,137	6,813
Total Expenditures	783,700	1,989,806	2,059,821	(70,015)
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(103,200)	(97,600)	(109,688)	(12,088)
OTHER FINANCING SOURCES (USES)				
Transfers To Other Funds	(50,000)	(50,000)		50,000
Total Other Financing Sources (Uses)	(50,000)	(50,000)		50,000
Net Changes in Fund Balance	(153,200)	(147,600)	(109,688)	37,912
Fund Balance - Beginning	153,200	153,200	399,058	245,858
Fund Balance - Ending	\$ 0	\$ 5,600	\$ 289,370	\$ 283,770

TRIMBLE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2010
(Continued)

	LICENSE FEE FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Licenses and Permits	\$ 25,000	\$ 25,000	\$ 25,451	\$ 451
Interest	60,050	60,050	38,374	(21,676)
Total Revenues	85,050	85,050	63,825	(21,225)
EXPENDITURES				
Administration	50	50		50
Total Expenditures	50	50		50
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	85,000	85,000	63,825	(21,175)
OTHER FINANCING SOURCES (USES)				
Transfers To Other Funds	(85,000)	(85,000)	(261,963)	(176,963)
Total Other Financing Sources (Uses)	(85,000)	(85,000)	(261,963)	(176,963)
Net Changes in Fund Balances			(198,138)	(198,138)
Fund Balances - Beginning			1,800,434	1,800,434
Fund Balances - Ending	\$ 0	\$ 0	\$ 1,602,296	\$ 1,602,296

TRIMBLE COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2010

Note 1. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

Note 2. Reconciliation of the General Fund

The *Statement of Revenues, Expenditures, and Changes in Fund Balance-Modified Cash Basis* differs from the *Budgetary Comparison Schedule* for the General Fund in intergovernmental revenue and debt service by \$36,700 due to payments by the Administrative Office of the Courts directly to the trustee for debt service.

TRIMBLE COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2010

TRIMBLE COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2010

	Jail Fund	LGEA Fund	Trimble County Parks Board Fund	Total Non-Major Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 7,119	\$ 4,269	\$ 9,255	\$ 20,643
Total Assets	<u>7,119</u>	<u>4,269</u>	<u>9,255</u>	<u>20,643</u>
FUND BALANCES				
Special Revenue Funds	<u>7,119</u>	<u>4,269</u>	<u>9,255</u>	<u>20,643</u>
Total Fund Balances	<u>\$ 7,119</u>	<u>\$ 4,269</u>	<u>\$ 9,255</u>	<u>\$ 20,643</u>

The accompanying notes are an integral part of the financial statements.

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TRIMBLE COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2010

TRIMBLE COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

For The Year Ended June 30, 2010

	Jail Fund	LGEA Fund	Trimble County Parks Board Fund	Total Non-Major Governmental Funds
REVENUES				
Intergovernmental	\$ 79,924	\$ 12,966	\$	\$ 92,890
Miscellaneous			156	156
Interest		17		17
Total Revenues	<u>79,924</u>	<u>12,983</u>	<u>156</u>	<u>93,063</u>
EXPENDITURES				
General Government		1,025		1,025
Protection to Persons and Property	215,925			215,925
General Health and Sanitation		8,500		8,500
Social Services		19,689		19,689
Recreation and Culture		76,398	8,438	84,836
Administration	11,287	27		11,314
Total Expenditures	<u>227,212</u>	<u>105,639</u>	<u>8,438</u>	<u>341,289</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(147,288)</u>	<u>(92,656)</u>	<u>(8,282)</u>	<u>(248,226)</u>
Other Financing Sources (Uses)				
Transfers From Other Funds	150,300	91,500	10,000	251,800
Transfers To Other Funds		(10,000)		(10,000)
Total Other Financing Sources (Uses)	<u>150,300</u>	<u>81,500</u>	<u>10,000</u>	<u>241,800</u>
Net Change in Fund Balances	3,012	(11,156)	1,718	(6,426)
Fund Balances - Beginning	4,107	15,425	7,537	27,069
Fund Balances - Ending	<u>\$ 7,119</u>	<u>\$ 4,269</u>	<u>\$ 9,255</u>	<u>\$ 20,643</u>

The accompanying notes are an integral part of the financial statements.

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TRIMBLE COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

TRIMBLE COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended June 30, 2010

Federal Grantor

Program Title

Grant Name (CFDA #)

Pass-Through Grantor's Number	Expenditures
----------------------------------	--------------

Cash Programs:

U.S. Department of Agriculture National Resources

Conservation Service

Direct Program:

Watershed Protection and Flood Prevention

Emergency Watershed Protection Program

(CFDA 10.904)

Multiple	\$	860,187	*
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U.S. Department of the Interior National Park Service

Passed-Through from the Kentucky Department for Local Government:

Outdoor Recreation Acquisition, Development and Planning

(CFDA 15.916)

Not Available		37,500	
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U.S. Department of Homeland Security

Passed-Through State Office of Homeland Security:

Homeland Security Program

(CFDA 97.067)

P02-094-0800020941		81,000	
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		\$ 978,687	
--	--	------------	--

*** - Tested as a major program.**

TRIMBLE COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2010

Note 1 - The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Trimble County, Kentucky and is presented on a modified cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

Note 2 – Determination of Major Program

The Type A program for the fiscal court is any program for which total expenditures of federal awards exceed \$300,000 for fiscal year 2010 or were deemed high risk. The Type A program was:

- CFDA #10.904 Watershed Protection and Flood Prevention Emergency Watershed Protection Program

Note 3 – Noncash Expenditures

There were no noncash expenditures of federal awards for fiscal year 2010.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Randy K. Stevens, Trimble County Judge/Executive
Members of the Trimble County Fiscal Court

**Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of Financial Statements
Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Trimble County, Kentucky, as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated January 19, 2011. Trimble County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Trimble County Fiscal Court's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Trimble County Fiscal Court's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Trimble County Fiscal Court's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Trimble County's financial statements as of and for the year ended June 30, 2010, are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, others within the entity, the Department for Local Government, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Crit Luallen', with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

January 19, 2011

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Randy K. Stevens, Trimble County Judge/Executive
Members of the Trimble County Fiscal Court

**Report On Compliance With Requirements
Applicable To Each Major Program And On Internal Control
Over Compliance In Accordance With OMB Circular A-133**

Compliance

We have audited the compliance of Trimble County, Kentucky, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2010. Trimble County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Trimble County's management. Our responsibility is to express an opinion on Trimble County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Trimble County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Trimble County's compliance with those requirements.

In our opinion, Trimble County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The management of Trimble County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Trimble County internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Trimble County's internal control over compliance.



Report On Compliance With Requirements
Applicable To Each Major Program And On Internal Control
Over Compliance In Accordance With OMB Circular A-133
(Continued)

Internal Control Over Compliance (Continued)

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, others within the entity, the Department for Local Government, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Crit Luallen', written in a cursive style.

Crit Luallen
Auditor of Public Accounts

January 19, 2011

TRIMBLE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For The Year Ended June 30, 2010

**TRIMBLE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Fiscal Year Ended June 30, 2010

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses unqualified opinions on the governmental activities, each major fund, and the aggregate remaining fund information of Trimble County.
2. No significant deficiencies relating to the audit of the financial statements are reported in the Independent Auditor's Report.
3. No instances of noncompliance material to the financial statements of Trimble County were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal awards programs are reported in the Independent Auditor's Report.
5. The auditor's report on compliance for the audit of the major federal awards programs for Trimble County expresses an unqualified opinion.
6. There are no findings relative to the major federal awards programs for Trimble County reported in Part C of this schedule.
7. The program tested as a major program was: Watershed Protection and Flood Prevention Emergency Watershed Protection Program (CFDA #10.904).
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Trimble County was not determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

STATE LAWS AND REGULATIONS

None.

INTERNAL CONTROL - MATERIAL WEAKNESSES

None.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT

None.

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**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

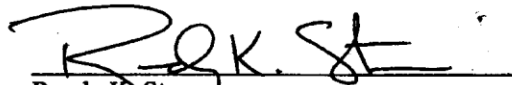
TRIMBLE COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2010**

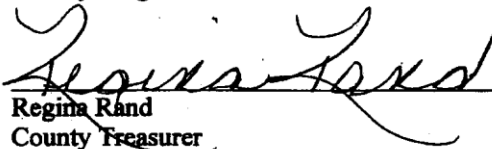
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
TRIMBLE COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2010

The Trimble County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Randy K. Stevens
County Judge/Executive



Regina Rand
County Treasurer

